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Proposed programme budget for the biennium 2012-2013*

Part X
Jointly financed administrative activities and special expenses

Section 33
Special expenses

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* A summary of the approved programme budget will subsequently be issued as *Official Records of the General Assembly, Sixty-sixth Session, Supplement No. 6* (A/66/6/Add.1).

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Overview

33.1 Under section 33, Special expenses, resources are provided to cover specific expenditure requirements for: (a) after-service health insurance; (b) compensatory payments; (c) general insurance charges; (d) bank charges; and (e) pension payments to former Secretaries-General (see table 33.1).

Table 33.1 **Resource requirements by component**

(Thousands of United States dollars)

(1) *Regular budget*

Component	*2008-2009 expenditure*	*2010-2011 appropriation*	*Resource growth*		*Total before recosting*	*Recosting*	*2012-2013 estimate*
			Amount	*Percentage*			
A. Contributions to after-service health insurance	91 626.9	104 031.6	(3 382.5)	(3.3)	100 649.1	7 664.1	108 313.2
B. Compensatory payments	3 012.6	2 523.0	176.4	7.0	2 699.4	120.6	2 820.0
C. General insurance	3 756.2	5 583.2	1 189.0	21.3	6 772.2	—	6 772.2
D. Bank charges	5 751.7	822.2	—	—	822.2	30.3	852.5
E. Pension payments to former Secretaries-General	1 198.2	1 174.1	61.0	5.2	1 235.1	—	1 235.1
Subtotal	**105 345.6**	**114 134.1**	**(1 956.1)**	**(1.7)**	**112 178.0**	**7 815.0**	**119 993.0**

(2) *Extrabudgetary*

	2008-2009 expenditure	*2010-2011 estimate*	*2012-2013 estimate*
Subtotal	**15 387.0**	**24 732.1**	**23 437.5**
Total, (1) and (2)	**120 732.6**	**138 866.2**	**143 430.5**

A. After-service health insurance

Resource requirements (before recosting): $100,649,100

Table 33.2 **Resource requirements: after-service health insurance**

Category	*Resources (thousands of United States dollars)*		*Posts*	
	2010-2011	*2012-2013 (before recosting)*	*2010-2011*	*2012-2013*
Regular budget				
Non-post	104 031.6	100 649.1	—	—
Total	**104 031.6**	**100 649.1**	**—**	**—**
Extrabudgetary	24 723.1	23 437.5	—	—

33.2 After-service health insurance coverage (for hospitalization and medical and dental expenses) is provided on a shared-contribution basis to retired staff members and their dependants in accordance with a decision taken by the General Assembly at its twenty-first session. Coverage is also provided to staff members whose appointments are terminated as a result of disability. In all cases, coverage is available only to those who are eligible to receive a periodic benefit from the United Nations Joint Staff Pension Fund or under the rules governing compensation for service-incurred death, injury or illness. In accordance with Assembly resolution 38/235, the maximum cost-sharing ratio is 2 to 1 between the Organization and the participants.

33.3 By its resolution 40/258 A, the General Assembly decided to extend after-service health insurance coverage to former locally recruited staff who participated in a medical expense assistance plan under appendix E to the Staff Rules.

33.4 By its resolution 61/264, the General Assembly approved changes to after-service health insurance provisions for new staff members recruited on or after 1 July 2007. Under the terms of that resolution, following retirement, staff members are eligible for cost-sharing of after-service coverage if they have participated in a United Nations-system contributory health insurance plan for at least 10 years and are participating in a United Nations plan at the time of retirement. Staff members recruited prior to 1 July 2007 who have participated in a United Nations contributory plan for at least five years are also eligible, provided that they pay the full premium for the period for which their participation falls short of the 10-year requirement for cost-shared participation.

33.5 In its resolution 64/241, the General Assembly requested the Secretary-General to report at its sixty-seventh session on, inter alia, further measures to reduce the United Nations costs related to health-care plans. One such measure is the introduction of a new requirement for United States-based plans during the biennium 2010-2011, applicable to all after-service health insurance participants younger than 75 years old who were enrolled as at 1 January 2011 and who are eligible for Medicare Part B. This measure is expected to help contain the premium costs of insurance plans administered at Headquarters during the biennium 2012-2013, and is reflected in the estimated requirements.

33.6 Since the inception of the after-service health insurance programme in the United Nations, the programme has grown in terms of both the number of participants and the related cost. Since 1999, the increase in enrolment has been steady and has demonstrated a tendency to accelerate, owing to the ageing population of subscribers. In view of historical trends and projections based on personnel data, the enrolment figures are expected to increase further as an increasing number of staff reach retirement age.

33.7 For the biennium 2012-2013, the estimated requirements have been prepared employing the same methodology as that used in prior years. The extrabudgetary amounts shown represent requirements for former staff of peacekeeping operations as well as for staff who before retirement have been financed from extrabudgetary sources of funding.

33.8 The requirements in the amount of $100,649,100 (before recosting) represent a reduction of $3,382,500 compared with the revised appropriation for the biennium 2010-2011. The assumptions used to estimate costs for the biennium 2010-2011 are proving to have been overly pessimistic, mainly because the substantial increase in the number of new staff owing to the expansion in peacekeeping activities has permitted the containment of the premium rate increases that had been expected during the current biennium. As a result, a comparison between the revised appropriation for 2010-2011 and the projected costs for the biennium 2012-2013 reveals a decrease, despite upward market pressure and growth in the number of participants.

33.9 Current projections indicate that enrolment figures will rise. The expected increase in membership in the insurance programme during the biennium 2012-2013 is projected at 6.5 per cent on average

under the insurance plans administered at Headquarters, at a level of 7.0 per cent on average in Geneva, and at a level of 7.0 per cent on average under the insurance plans administered by the United Nations Office at Vienna. In addition, although average premium costs per participant vary among different insurance plans and in terms of the costs experienced in different countries in the recent past, the overall market trends for medical insurance premiums have been volatile and have reflected increasing costs. The Secretary-General continues to make efforts to contain the growth in costs for after-service health insurance, such as the implementation of new Medicare Part B requirements at Headquarters.

33.10 The estimated requirements reported in table 33.2 address the pay-as-you-go costs of after-service health insurance entitlements for retired staff. In its resolutions on the biennial programme budgets and the financial reports and audited financial statements and reports of the Board of Auditors, the General Assembly endorsed the observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors on the long-term liabilities for after-service health benefits. The Secretariat has been reviewing the options and arrangements to address the long-term liabilities of the Organization for after-service health benefits for all categories of retired personnel. As requested in resolution 61/264, the report of the Secretary-General on liabilities and proposed funding for after-service health insurance benefits (A/64/366), addressing issues of partial and full funding of after-service health insurance liabilities, was submitted to the General Assembly at its sixty-fourth session. The Assembly, in resolution 64/241, requested the Secretary-General to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to report thereon at its sixty-seventh session, also addressing additional issues related to the management of after-service health insurance liabilities. Should the Assembly approve the new funding scheme for after-service health insurance, these requirements may have to be revised.

B. Compensatory payments

Resource requirements (before recosting): $2,699,400

Table 33.3 **Resource requirements: compensatory payments**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2010-2011*	*2012-2013 (before recosting)*	*2010-2011*	*2012-2013*
Regular budget				
Non-post	2 523.0	2 699.4	—	—
Total	**2 523.0**	**2 699.4**	**—**	**—**
Extrabudgetary	—	—	—	—

33.11 The requirements under compensatory payments (see table 33.3) provide for compensation to members of commissions, committees and other, similar United Nations bodies in the event of death, injury or illness attributable to service with the United Nations. The responsibilities of the United Nations in this area, as well as the rules governing compensatory payments, are detailed in Secretary-General's bulletin ST/SGB/103/Rev.1.

33.12 Compensation is also provided to staff members or their dependants in the event of death, injury or illness attributable to the performance by the staff member of official duties on behalf of the

United Nations. The compensation is governed by the specific rules under appendix D to the Staff Rules (ST/SGB/Staff Rules/Appendix D/Rev.1/Amend.1).

33.13 The costs incurred on both those accounts may include death annuities, monthly benefits for incapacity resulting from injury or illness, lump-sum indemnities for permanent disabilities and medical, hospital and other related expenses.

33.14 An expert consultant was engaged in the latter part of 2009 to assist in the evaluation of existing compensation programmes for service-incurred injury, death and disability within the United Nations system, to provide benchmarks against best industry practices, to identify areas for change and to provide recommendations for potential revisions to appendix D provisions. The recommendations were thoroughly reviewed by all concerned within the United Nations system and with an inter-agency working group, consisting of representatives of the Food and Agriculture Organization of the United Nations, the International Atomic Energy Agency, the International Telecommunication Union, the United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization, and the United Nations Children's Fund, taking into consideration the financial implications of the recommendations and the special needs of the Organization.

33.15 The Human Resources and Finance and Budget Networks of the High-level Committee on Management have been kept informed of progress made in the review process, and the proposed recommendations were presented to the High-level Committee in the latter part of 2010. The draft revised appendix D provisions are expected to be presented at the next session of the Staff-Management Coordination Committee before being submitted to the General Assembly. It is suggested that changes to the provisions would apply only to new claims effective after the date of implementation. The final results of the review processes will be presented to the Assembly for its consideration in due course.

33.16 The resource requirements of $2,699,400, reflecting an increase of $176,400, are based on current trends in expenditure over the period from 2006 to 2009.

C. General insurance

Resource requirements (before recosting): $6,772,200

Table 33.4 **Resource requirements: general insurance**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2010-2011*	*2012-2013 (before recosting)*	*2010-2011*	*2012-2013*
Regular budget				
Non-post	5 583.2	6 772.2	—	—
Total	**5 583.2**	**6 772.2**	**—**	**—**
Extrabudgetary	—	—	—	—

33.17 The provisions under general insurance (see table 33.4) relate to insurance on the buildings and property at United Nations Headquarters, including automobiles and works of art, insurance on aircraft used for travel by the Organization but not owned by the United Nations, and insurance for other air travel. In addition, in accordance with General Assembly resolution 41/210, the United Nations has established a self-insurance plan for general liability risk in respect of acts occurring

within the Headquarters district in the United States of America. The provisions also cover a stand-alone insurance policy for acts of terrorism, which, following the events of 11 September 2001, was established effective 2003 as a result of limitations in the scope of insurance coverage for risks, such as acts of terrorism, that would normally have been covered under the general policies. General insurance costs relating to the capital master plan are included in the cost proposals for the capital master plan.

33.18 Costs under this provision are estimated in the amount of $6,772,200 on the basis of terms of contracts recently signed with the insurance providers at Headquarters. A net increase in requirements is estimated in the amount of $1,189,000, which reflects an increase of $1,242,900 relating to the general insurance policy, offset in part by a reduction of $53,900 relating to the insurance for acts of terrorism. The requirements for the biennium 2012-2013 reflect a significant increase in property insurance levels and costs for Headquarters, owing mainly to the fact that some of the buildings under renovation that were covered by a separate builder's-risk property insurance policy specific to the capital master plan, the cost of which was borne by the capital master plan during the biennium 2010-2011, would again be covered by the property insurance policy under Section 33 during the 2012-2013 biennium. The value under coverage of those buildings is expected to increase compared with the pre-capital-master-plan insured value. In addition, losses in the Sudan, Chile and Haiti since 2008 have generated an unfavourable loss ratio on the policy, which would also lead to an increase in the premium for the biennium 2012-2013. The Secretariat and Conference buildings, the North Lawn swing spaces and the United Nations properties in the leased locations in New York City would be covered under the general insurance and the insurance for acts of terrorism during the biennium 2012-2013, and the Library and South Annex would be covered under the general insurance and the insurance for acts of terrorism during 2012 and 2013, respectively.

D. Bank charges

Resource requirements (before recosting): $822,200

Table 33.5 **Resource requirements: bank charges**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2010-2011*	*2012-2013 (before recosting)*	*2010-2011*	*2012-2013*
Regular budget				
Non-post	822.2	822.2	—	—
Total	**822.2**	**822.2**	**—**	**—**
Extrabudgetary	—	—	—	—

33.19 The requirements of $822,200 relate to fees for bank-account maintenance, electronic fund transfers and other fees for services provided by banks. The resource requirements are estimated on the basis of current trends in expenditure. Such costs are more than offset by interest income earned on cash balances, which are budgeted under income section 2, General income.

E. Pension payments to former Secretaries-General

Resource requirements (before recosting): $1,235,100

Table 33.6 **Resource requirements: pension payments to former Secretaries-General**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2010-2011*	*2012-2013 (before recosting)*	*2010-2011*	*2012-2013*
Regular budget				
Non-post	1 174.1	1 235.1	—	—
Total	**1 174.1**	**1 235.1**	**—**	**—**
Extrabudgetary	—	—	—	—

33.20 The requirements of $1,235,100 provide for the retirement allowances of three former Secretaries-General and the widow of one former Secretary-General at the half rate, based on the maximum retirement benefit payable as from 1 January 2010.

Table 33.7 **Summary of follow-up action taken to implement relevant recommendations of the oversight bodies**

Brief description of the recommendation	*Action taken to implement the recommendation*
Report of the Board of Auditors (A/59/5 (Vol. I), chap. II)	
The Board of Auditors recommended that the United Nations review the funding mechanism for end-of-service and post-retirement benefit liabilities (paras. 15 (b) and 47).	The following updates information contained in table 32.7 in document A/64/6 (Sect. 32). The General Assembly, in resolution 64/241, requested the Secretary-General to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to report thereon at its sixty-seventh session, also addressing additional issues related to the management of after-service health insurance liabilities. The Assembly, in section XI of its resolution 64/245, decided to revert to the transfer of the $83.1 million from the medical and dental reserve funds to the special account for the after-service health insurance reserve fund, included in the proposal of the Secretary-General on the funding of after-service health insurance liabilities (see A/64/366), and requested the Secretary-General to provide the Assembly at its sixty-fifth session with information on the composition of those reserve funds. Pursuant to resolution 64/245, the report of the Secretary-General entitled

Brief description of the recommendation	*Action taken to implement the recommendation*
	"After-service health insurance: medical and dental reserve funds" (A/65/342) was prepared and was considered, together with the related report of the Advisory Committee on Administrative and Budgetary Questions (A/65/507), by the General Assembly at its sixty-fifth session. In its resolution 65/259, the Assembly requested the Secretary-General to include, in future performance reports on the budget, information regarding the medical and dental reserve funds, the number of months that premium holidays have been applied during the budgetary period, other surplus fund distribution methods used and the final impact on the budgets, and also requested the Secretary-General to include, in his report to the Assembly at its sixty-seventh session, an analysis of options for the judicious use of reserves in excess of reasonable industry and United Nations standards, in the context of the forthcoming analysis of pay-as-you-go and long-term financing strategies for after-service health insurance liabilities.